

By: Harris

S.B. No. 1966

A BILL TO BE ENTITLED

AN ACT

relating to debt cancellation agreements offered in connection with motor vehicle retail installment contracts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 348.001, Finance Code, is amended by adding Subdivision (1-a) to read as follows:

(1-a) "Debt cancellation agreement" means a retail installment contract term or a contractual arrangement modifying a retail installment contract term under which a retail seller or holder agrees to cancel all or part of an obligation of the retail buyer to repay an extension of credit from the retail seller or holder upon the occurrence of a total loss or theft of the motor vehicle and does not include an offer to pay a specified amount on the total loss or theft.

SECTION 2. Section 348.005, Finance Code, is amended to read as follows:

Sec. 348.005. ITEMIZED CHARGE. An amount in a retail installment contract is an itemized charge if the amount is not included in the cash price and is the amount of:

(1) fees for registration, certificate of title, and license and any additional registration fees charged by a full service deputy under Section 502.114, Transportation Code;

(2) any taxes;

(3) fees or charges prescribed by law and connected

1 with the sale or inspection of the motor vehicle; and

2 (4) charges authorized for insurance, service  
3 contracts, ~~or~~ warranties, or a debt cancellation agreement by  
4 Subchapter C.

5 SECTION 3. Subchapter B, Chapter 348, Finance Code, is  
6 amended by adding Section 348.124 to read as follows:

7 Sec. 348.124. DEBT CANCELLATION AGREEMENTS. (a) In  
8 connection with a retail installment transaction under this  
9 chapter, a retail seller may offer to the retail buyer a debt  
10 cancellation agreement. The retail seller may not require that the  
11 purchase of a debt cancellation agreement by the retail buyer be  
12 made in order to enter into a retail installment transaction.

13 (b) A debt cancellation agreement may not be considered an  
14 insurance product.

15 (c) The amount charged for a debt cancellation agreement in  
16 a retail installment contract must be reasonable.

17 (d) In addition to other disclosures required by state or  
18 federal law, the retail seller shall provide to the retail buyer a  
19 notice separate from the retail installment contract stating that  
20 the buyer is not required to accept or provide the debt cancellation  
21 agreement in order to purchase the vehicle under a retail  
22 installment contract.

23 SECTION 4. Subsections (b) and (c), Section 348.208,  
24 Finance Code, are amended to read as follows:

25 (b) A retail installment contract may include as a separate  
26 charge an amount for:

27 (1) motor vehicle property damage or bodily injury

1 liability insurance;

2 (2) mechanical breakdown insurance;

3 (3) participation in a motor vehicle theft protection  
4 plan;

5 (4) insurance to reimburse the retail buyer for the  
6 amount computed by subtracting the proceeds of the buyer's basic  
7 collision policy on the motor vehicle from the amount owed on the  
8 vehicle if the vehicle has been rendered a total loss; ~~or~~

9 (5) a warranty or service contract relating to the  
10 motor vehicle; or

11 (6) a debt cancellation agreement if the agreement is  
12 included as a term of a retail installment contract under Section  
13 348.124.

14 (c) Notwithstanding any other law, service contracts and  
15 debt cancellation agreements sold by a retail seller of a motor  
16 vehicle to a retail buyer are not subject to Chapter 101 or 226,  
17 Insurance Code.

18 SECTION 5. This Act takes effect September 1, 2009.

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